

YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31 and September 30, 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2004	(Unaudited) September 30, 2004	(Unaudited) September 30, 2004
ASSETS			
Current assets:			
Cash and bank deposits	¥ 21,143	¥ 22,367	\$ 201,414
Short-term securities	6,879	7,450	67,087
Notes and accounts receivable:			
Trade	87,213	87,666	789,428
Unconsolidated subsidiaries and affiliates	631	691	6,223
	<u>87,844</u>	<u>88,357</u>	<u>795,651</u>
Allowance for doubtful accounts	(1,372)	(1,380)	(12,427)
	<u>86,472</u>	<u>86,977</u>	<u>783,224</u>
Inventories	10,870	10,495	94,507
Deferred income taxes	1,606	1,595	14,363
Other	2,669	1,662	14,966
Total current assets	<u>129,639</u>	<u>130,546</u>	<u>1,175,561</u>
Investments and long-term accounts receivable:			
Investments in securities	5,526	5,181	46,655
Investments in and advances to:			
Unconsolidated subsidiaries and affiliates	2,047	2,129	19,171
Other	149	124	1,117
Long term trade receivable and others	3,080	3,022	27,213
Allowance for doubtful accounts	(3,623)	(3,613)	(32,535)
	<u>7,179</u>	<u>6,843</u>	<u>61,621</u>
Property and equipment:			
Buildings and structures	14,995	13,567	122,170
Machinery and equipment	2,242	2,323	20,918
	<u>17,237</u>	<u>15,890</u>	<u>143,088</u>
Accumulated depreciation	(10,810)	(8,959)	(80,675)
	<u>6,427</u>	<u>6,931</u>	<u>62,413</u>
Land	11,266	11,114	100,081
Construction in progress	850		
	<u>18,543</u>	<u>18,045</u>	<u>162,494</u>
Deferred income taxes	2,067	1,150	10,356
Other assets	3,960	3,311	29,815
Deferred assets:			
Bond-issuing expense	11	6	54
	<u>¥ 161,399</u>	<u>¥ 159,901</u>	<u>\$ 1,439,901</u>

The accompanying notes are an integral part of these statements.

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	March 31, 2004	(Unaudited) September 30, 2004	(Unaudited) September 30, 2004
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans	¥ 12,715	¥ 6,883	\$ 61,981
Current portion of long-term debt	4,586	8,390	75,552
Notes and accounts payable:			
Trade	100,262	105,084	946,277
Unconsolidated subsidiaries and affiliates	65	12	108
	<u>100,327</u>	<u>105,096</u>	<u>946,385</u>
Accrued employees' bonus	1,262	1,381	12,436
Accrued expenses	1,665	1,760	15,849
Accrued income taxes	179	219	1,972
Other	1,629	1,538	13,849
Total current liabilities	<u>122,363</u>	<u>125,267</u>	<u>1,128,024</u>
Long-term debt	20,839	15,886	143,053
Accrued retirement benefits for directors and corporate auditors	280	587	5,286
Accrued retirement benefits for employees	2,038	1,029	9,266
Other long-term liabilities	630	672	6,051
Minority interest in consolidated subsidiaries	212	231	2,080
Shareholders' equity:	7,909	7,909	71,220
Common stock			
Authorized - 200,000,000 shares			
Issued and outstanding:			
- 93,840,310 shares at March 31 and September 30, 2004			
Additional paid in capital	6,082	6,082	54,768
Retained earnings	1,876	3,107	27,978
Net unrealized holding gains (losses) on other securities	757	569	5,124
Foreign currency translation adjustments	(1,584)	(1,433)	(12,904)
Less : Treasury common stock, at cost	(3)	(5)	(45)
Total shareholders' equity	<u>15,037</u>	<u>16,229</u>	<u>146,141</u>
	<u>¥ 161,399</u>	<u>¥ 159,901</u>	<u>\$ 1,439,901</u>

The accompanying notes are an integral part of these statements.

YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
For the six-months ended September 30, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Net sales	¥ 130,280	¥ 149,079	\$ 1,342,449
Cost of sales	114,844	132,495	1,193,111
Gross profit	15,436	16,584	149,338
Selling, general and administrative expenses	14,753	13,848	124,700
Operating income	683	2,736	24,638
Other income (expenses):			
Interest and dividends income	494	542	4,881
Interest expense	(705)	(709)	(6,385)
Gain on sale of property and equipment	1	2	18
Gain on sale of investment in securities	70	26	234
Gain on return of the substitutional portion of pension plan		894	8,050
Loss on sale and disposal of property and equipment	(10)	(33)	(297)
Special severance payments for employee's early retirement plan	(106)		
Prior years' retirement benefits for directors and corporate auditors		(278)	(2,503)
Loss on sale of properties		(687)	(6,186)
Other, net	141	168	1,512
Income before income taxes and minority interests	568	2,661	23,962
Income taxes			
Current	746	97	873
Deferred	(350)	1,076	9,690
	396	1,173	10,563
Minority interests in earnings of consolidated subsidiaries	9	23	207
Net income	¥ 163	¥ 1,465	\$ 13,192
		Yen	U.S. Dollars (Note 1)
Net income per share (basic)	¥ 1.74	¥ 15.62	\$ 0.14
Cash dividends per share			
Weighted average number of shares outstanding (thousands)	93,825	93,818	

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YAMAZEN CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the six-months ended 30th September, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 568	¥ 2,661	\$ 23,962
Adjustments for:			
Depreciation and amortization	433	388	3,494
Increase (decrease) in allowance for doubtful accounts	735	(5)	(45)
Increase (decrease) in allowance for others	564	(585)	(5,268)
Dividends and interest income	(494)	(542)	(4,881)
Interest expenses	705	709	6,385
Foreign currency gain		(2)	(18)
Gain on sale of investments in securities, net	(69)	(26)	(234)
Loss on sale and disposal of property and equipment, net	9	32	288
Loss on sale of properties		687	6,186
Special severance payments for employee's early retirement plan	106		
Change in assets and liabilities net:			
Increase in trade receivables	(2,395)	(211)	(1,900)
Decrease (increase) in inventories	(405)	451	4,061
Increase in trade payables	1,015	4,696	42,287
Other, net	(501)	597	5,376
Sub total	271	8,850	79,693
Income taxes received (paid)	(314)	361	3,251
Payment for retirement benefits			
under early retirement scheme	(99)		
Net cash provided by (used in) operating activities	(142)	9,211	82,944
Cash flows from investing activities:			
Payments for time deposits	(52)	(107)	(964)
Proceeds from withdrawal of time deposits	52	92	828
Payments for acquisition of short-term securities	(380)		
Proceeds from sale of short-term securities	1,069	580	5,223
Payments for acquisition of investments in securities	(66)	(143)	(1,288)
Proceeds from sale of investments in securities	170	181	1,630
Payments for acquisition of property and equipment	(509)	(764)	(6,880)
Proceeds from sale of property and equipment	13	171	1,540
Dividend and interest income received	492	534	4,809
Other, net	282	506	4,557
Net cash provided by investing activities	1,071	1,050	9,455
Cash flows from financing activities:			
Decrease in short-term bank loans, net	(918)	(5,855)	(52,724)
Proceeds from issuance of long-term debt	2,180	450	4,052
Payments of long-term debt	(1,330)	(1,599)	(14,399)
Cash dividends paid	(235)	(235)	(2,116)
Interest expense paid	(704)	(694)	(6,249)
Other, net	(3)	(4)	(36)
Net cash used in financing activities	(1,010)	(7,937)	(71,472)
Effect of exchange rate change on cash and cash equivalents	(33)	35	315
Net decrease in cash and cash equivalents	(114)	2,359	21,242
Cash and cash equivalents at beginning of the period	21,989	27,368	246,448
Cash and cash equivalents at end of the period	¥ 21,875	¥ 29,727	\$ 267,690

The accompanying notes are an integral part of these statements.